

Message Text

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ACTION EB-08

INFO OCT-01 EUR-12 ISO-00 AGRE-00 CEA-01 CIAE-00
COME-00 DODE-00 FRB-03 H-01 INR-10 INT-05 L-03
LAB-04 NSAE-00 NSC-05 PA-01 CTME-00 AID-05 SS-15
STR-07 ITC-01 TRSE-00 USIA-06 SP-02 SOE-02 OMB-01
DOE-11 DOEE-00 /104 W

-----016323 170015Z /65

P 162348Z MAR 78
FM AMEMBASSY OTTAWA
TO SECSTATE WASHDC PRIORITY 6693

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E.O. 11652: N/A
TAGS: ETRD, CA
SUBJECT: TESTIMONY FOR HEARING ON "BUY AMERICA" BILL

REF: STATE 61254

1. GOC HAS PROVIDED FOLLOWING INFORMATION CONCERNING DIRECT
PURCHASES BY CANADIAN GOVERNMENT IN U.S. BY MAJOR
COMMODITIES (IN MILLIONS OF CANADIAN DOLLARS):

MAJOR	FY	FY	FY
COMMODITIES	1975-76	1976-77	1977-78 (ESTIMATED)

MARINE AND	67,984	36,262	50,148
INDUSTRIAL MACHINERY			

ELECTRONICS AND	45,631	64,415	31,800
DATA PROCESSING			

AEROSPACE AND	34,536	718,253	50,376
ARMAMENT			
SCIENCE	866	682	1,032

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MECHANICAL AND	14,050	20,650	20,448
CONSTRUCTION PRODUCTS			

TRANSPORTATION AND	4,072	1,430	576
ENERGY			

FOOD, DRUG AND 1,103 867 876
TEXTILES

PROFESSIONAL AND 395 278 2,268
SPECIAL SERVICES

OFFICE PRODUCTS 124 291 156

MAJOR FY FY FY
COMMODITIES 1975-76 1976-77 1977-78 (ESTIMATED)

PRINTING PRODUCTS 28 9 36

OTHERS 19,189 11,337 10,416

TOTAL 187,978 854,474 168,132

2. GOC HAS ALSO PROVIDED LIST OF CONTRACTS OVER 2.5
MILLION DOLLARS PLACED BY IT WITH U.S. VENDORS (VALUE IN
MILLIONS OF CANADIAN DOLLARS)

1975-76

VENDOR COMMODITY VALUE

BENDIX SONAR EQUIPMENT 8.0
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DEPT. OF ARMY DEPOT SUPPLY SPARES 13.9
DEPT. OF ARMY CARTRIDGES 3.3
DEPT. OF ARMY TRUCK COMPONENTS 2.9
DEPT. OF ARMY OVERHAUL-SMP VEHICLES 3.8
DEPT. OF ARMY TRUCKS 19.4
VARO INC. WEAPON NIGHT SIGHTS 4.4

1976-77

AMDAHL DATA PROCESSING EQUIPMENT 4.7
GENERAL SIGNAL
CORP. RADAR 2.7
DEPT. OF A.F. DEPOT SUPPLY SPARES 15.0
DEPT. OF ARMY AMMUNITION 6.0
DEPT. OF NAVY AIRCRAFT SPARE PARTS 4.1
GILCRON SOLID STATE MODIFICATION
----- KITS 5.7
LOCKHEED LONG RANGE PATROL AIRCRAFT
----- SYSTEM 697.0
ROBEY SMITH AIRCRAFT 4.2 (US)
TELETYPE CORP. TELETYPE EQUIPMENT 6.0

APRIL-DECEMBER 1977

DEPT. OF AIR FORCE DEPOT SUPPLY SPARES	17.0
DEPT. OF ARMY VEHICLES	2.9
DEPT. OF ARMY TOW MISSILE SYSTEM	3.7
DEPT. OF ARMY DEPOT SUPPLY SPARES	7.7
U.S. GOVT. COLOG SPARES	21.0

3. FIGURES PARA. 1 AND 2 ARE ON BASIS OF PRIME CONTRACTS
PLACED WITH U.S. SUPPLIERS. GOC ALSO POINTS OUT THAT THERE
IS A GOOD DEAL OF U.S. CONTENT INCLUDED AS SUB-CONTRACT TO

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U.S. SUPPLIERS ON PURCHASES MADE IN CANADA THROUGH
CANADIAN PRIME CONTRACTORS. SUB-CONTRACT DATA UNDER
DEFENSE PRODUCTION SHARING ARRANGEMENT, BELOW, INDICATES
IMPORTANCE OF THIS FACTOR FOR DEFENSE GOODS, AND FACTOR
IS EQUALLY APPLICABLE TO ALL CANADIAN MANUFACTURED
PRODUCTS, ACCORDING TO GOC.

DEFENSE CONTRACTS UNDER DPSA - MILLIONS OF CANADIAN DOLS.

----- PRIME CONTRACTS SUB-CONTRACTS

APRIL - JUNE, 1974	53.2	37.0
JULY - SEPTEMBER, 1974	34.5	16.0
OCTOBER - DECEMBER, 1974	11.5	54.0
JANUARY - MARCH, 1975	7.4	27.0
APRIL - JUNE, 1975	49.8	41.7
JULY - SEPTEMBER, 1975	14.7	46.5

OCTOBER - DECEMBER, 1975 11.5 34.1
JANUARY - MARCH, 1976 4.9 32.0
APRIL - JUNE, 1976 33.2 32.4
JULY - SEPTEMBER, 1976 704.6 58.6
----- (INCLUDES LRPA PURCHASES)
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OCTOBER - DECEMBER, 1976 16.6 16.1

4. DEPARTMENT OF SUPPLY AND SERVICES (DSS) PURCHASES FROM CANADIAN DISTRIBUTORS OF U.S. PRODUCTS ARE NOT INCLUDED IN FIGURES IN PARA. 3. FOR REASONS OF AFTER SALES SERVICE, DSS PREFERS TO DEAL WITH DISTRIBUTORS RATHER THAN TO PLACE PRIME CONTRACTS OFFSHORE. THIS IS SIGNIFICANT FACTOR, ACCORDING TO GOC, BUT NO FIGURES ARE AVAILABLE.

5. CANADIAN GOVERNMENT PROCUREMENT FROM U.S. SOURCES REPRESENTED APPROXIMATELY 10 PERCENT IN FY 1975-76 OF TOTAL SUPPLY ACQUISITIONS AND 30 PERCENT IN FY 1976-77.

6. CROWN CORPORATIONS IN CANADA ALSO MAKE MAJOR PURCHASES IN U.S. AIR CANADA, E.G., PURCHASES ALL ITS AIRCRAFT FROM U.S. SUPPLIERS (BOEING AND MCDONNELL-DOUGLAS). CANADIAN NATIONAL RAILWAYS MAKES EXTENSIVE USE OF U.S.-BUILT RAIL CARS WHICH PREDOMINATE IN CN RAIL CAR FLEETS USED IN INTERNATIONAL SERVICE. IN 1971 SEVENTY-THREE PERCENT OF TOTAL CN RAILWAY FLEET USED TO CARRY MOTOR VEHICLES AND PARTS WERE OF U.S. MANUFACTURE.

7. CANADIAN GOVERNMENT PROCUREMENT PRACTICES. CANADIAN DSS PRACTICE IS TO INVITE BIDS FROM PRE-QUALIFIED BIDDERS WITHOUT REFERENCE TO COUNTRY OF ORIGIN OF GOODS TO BE PURCHASED. (THERE ARE CERTAIN EXCEPTIONS TO THIS PRACTICE, EXAMPLES OF WHICH ARE PROCUREMENT OF SHOES, TEXTILES, AND CLOTHING FOR DEFENSE PURPOSES.) IN THE EVALUATION OF BIDS, NO MINIMUM CANADIAN CONTENT IS GENERALLY REQUIRED AND THE PREFERENCE FOR CANADIAN CONTENT IS LIMITED TO A MAXIMUM OF TEN PERCENT OF DIFFERENCE IN FOREIGN CONTENT OF BIDS, ALTHOUGH IN CERTAIN CASES INVITATIONS TO TENDER MAY BE RESTRICTED TO CANADIAN SOURCES. THIS DOES NOT IMPLY THAT LIMITED OFFICIAL USE

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GOODS MUST BE OF CANADIAN MANUFACTURE (E.G. SOURCE COULD BE CANADIAN AGENT OF USA SUPPLIER). CANADIANS NOTED THAT TEN PERCENT PREFERENCE ON CANADIAN CONTENT HAS SELDOM BEEN RIGOROUSLY APPLIED.

8. DURING PAST YEAR CANADA HAS TWICE PROTESTED BUY AMERICA
PROPOSALS (CANADIAN EMBASSY WASHINGTON NOTES TO DEPARTMENT
OF STATE APRIL 7, 1977 AND NO. 636, DECEMBER 20, 1977).
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